GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:974
ANSWERED ON:29.07.2005
CONTRIBUTORY PENSION SCHEME
Scindia Shri Jyotiraditya Madhavrao

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has been considering introduction of a contributory Pension Scheme;

(b) if so, the details of the scheme evolved; and

(c) the steps taken and being taken to promote such a scheme?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a), (b) & (c): The Government has already implemented a new restructured defined contribution pension scheme, New Pension System (NPS) for all new Central Government recruits (excluding Armed Forces, in the first stage) with effect from 1.1.2004. The NPS will also be available, on a voluntary basis to all persons including self - employed professionals and others in the unorganized sector. In case of Central Government employees, the monthly contribution is 10% of the salary and Dearness Allowance, which is matched by the Government. There will be no contribution from the Government in respect of individuals who are not Government employees. Main features of the scheme includes, interalia, a non-withdrawable tier-I account; a voluntary tier-II withdrawable account; normal exit at the age of 60 years for tier-I and a mandatory requirement to invest 40% of pension wealth on exit to purchase an annuity.